## News: Analysis & Commentary



#### COMMENTARY

By Peter Elstrom

### LET THE TELECOM DOGFIGHT BEGIN

ave you noticed much change in your phone service since the Telecommunications Reform Act was passed a year ago? Don't worry. Nobody else has, either. Letting local and long-distance companies compete in each other's businesses will eventually mean lower prices and increased choice. But competition is being delayed by endless disputes between companies that seemingly would rather fight it out in the hearing room than in the marketplace.

That leaves most consumers with the same choices—and prices—they had before "deregulation." Faced with high costs and other obstacles, long-distance companies are moving slowly into local service. AT&T resells local calling in only a handful of test markets, and MCI Communications Corp. has focused its local efforts on business customers. Meanwhile, the Baby Bells can't offer long-distance service until they prove that they face effective competition in their markets. So far, not one Bell has been able to prove that to regulators' satisfaction.

MORE CLOUT. What's the cost of this standoff? No one knows exactly. But in the local market alone, competition could cut costs by 20%, which amounts to \$50 million a day, estimates industry consultant Andrew Seybold.

It's time to cut the red tape and let true competition begin. Here's one way: Give state regulators the power to impose severe penalties on companies that thwart competition. Provided with that extra clout, regulators could let companies into new markets more quickly—knowing that

they have an effective recourse in case of wrongdoing.

It's understandable that state and federal regulators have been reluctant to let the Bells into long distance. Several of them have revealed their anticompetitive tendencies by dragging out negotiations over letting new entrants resell their call-carrying capacity. One recent trick is for Bells to force local competitors to fax them orders when customers want to change carriers: The faxed orders often are delayed or full of errors.

Clearly, Bells that deliberately

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block local competition deserve to remain barred from long distance. And state regulators should continue to make sure that the Bells comply with a 14-point checklist mandated by the Federal Communications. Commission. Among other things, the FCC says that local incumbents must offer newcomers access to their local-calling networks at fair prices.

Sometimes, though, determining whether a local phone company has cleared all the hurdles is a judgment call. So to speed up deregulation, it makes sense to find ways to let competitors get into new businesses easily—while giving the authorities the power to swiftly punish anticompetitive practices.

Illinois is ready to try this ap-

proach. A bill passed by the state Senate in late March gives the Illinois Commerce Commission power to fine phone companies, including Ameritech Corp., for anticompetitive behavior. The financial penalties the commission can impose have jumped to \$30,000 per day per violation, up from \$2,000. Says Patrick O'Malley, the Republican state senator who sponsored the bill: "You need teeth in the enforcement mechanism." BROAD SUPPORT. Georgia's state senate recently passed a similar bill. It increases fines to \$15,000 initially and \$10,000 per day per violation—up from \$1,000 and \$500, respectively, now. Many other states, in contrast, cannot even fine the Bells for acting anticompetitively. Colorado regulators, for example, must get court approval before they can impose any financial penalty.

The Illinois law has won broad support among telecom companies. ATET, MCI, and Sprint have all publicly backed it. AT&T's top executive in Illinois says he'll recommend using the bill as a model in other states that want to speed up competition. Even Ameritech supports the legislation, arguing that the penalties won't matter because it will play fair. "It's a good solution to put in safeguards to satisfy the skeptics," says Peter Vujaklia, vice-president at Mercer Management Consulting. If the skeptics are satisfied, telecom customers can start seeing the savings that have only been a promise for more than a year.

Elstrom covers telecommunications from BUSINESS WEEK's Chicago bureau.

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POLES AL BRECHT

: 13

#### BEFORE THE PUBLIC UTILITIES COMMISSION

# OF THE STATE OF CALIFORNIA

MODERATORS: KAREN JONES, JONATHON LAKRITZ, and WILLIAM SANDOVAL

Order Instituting Rulemaking on the Commission's Own Motion into Competition for Local Exchange Service.

Order Instituting Investigation on the Commission's Own Motion into Competition for Local Exchange Service.

And Related Matters.

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JOINT WORKSHOP

R 95-04-043

I 95-04-044

R 93-04-003. I 93-04-002

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#### REPORTER'S TRANSCRIPT

San Francisco, California March 14, 1997 Pages 1213 - 1337 WS-20

Reported by: William J. Harter, CSR 3532 Deanna M. Zachlod, CSR 3251

1 SAN FRANCISCO, CALIFORNIA, MARCH 14, 1997 - 10:00 AM 2 MS. JONES: Let's be on the record. 3 This workshop is being held in dockets 4 R 95-04-043, I 95-04-044, and R 93-04-003 and 5 I 93-04-002. 6 7 It was ordered by the Judges in a prehearing 8 conference on Tuesday. 9 And the workshop notice, which I don't know if 10 it was mailed out, but it at least appeared on the Commission calendar, indicates that we are to discuss 11 12 how the filings of Pacific Bell and GTE California 13 concerning Operation Support Systems can be supplemented 14 so they are more informative about how Pacific and GTEC 15 provide ordering, repair, and other functions for their 16 own retail services. 17 So that is a summary of our stated mandate 18 from the Judges. 19 Yesterday I received a fax from Pacific Bell, 20 from Sheila Howard, with a proposed agenda for this 21 workshop. 22 Was this made available to others? 23 MS. HOWARD: No, I did not. I just wanted to fax 24 it, and I brought a couple of copies. But I thought we 25 could talk about it. It's pretty -- I'm sorry. 26 (Shows her namecard) 27 MS. HOWARD: I could talk about it quickly. 28 What -- I kind of did the scope of the

workshop, more or less summarized what you said we
needed to do today, and then what he had proposed to do
is that we, first of all, put together a document
wherein we have identified within our filing the various
questions from pages 5 through 9 are -- our responses to
those various requirements on pages 5 through 9 are
found; and

Then what we were proposing to do is to have -- we have subject matter experts here, technical subject matter experts on the various areas, and they were going to go through processing of a 1MB as

Judge McKenzie had suggested; and we're going to point out where in the filing the various questions are answered and how it works for a 1MB.

And I have copies of that for -- I hope enough of -- I don't know if I have enough in here because there is more than I thought, but there is some so maybe we can share.

And then what we wanted to do is entertain questions, of course.

And then, of course, what we'd like to conclude with is just what Karen had announced earlier, is we'd like to be able to have a way that we can supplement or whatever is required so that our filing on the 20th will meet the requirements correctly, or sufficiently.

So any changes that we need to make.

MS. JONES: Are there any comments on that draft

1 agenda?

MR. HURST: Well, I haven't seen the draft agenda, but I don't find a problem with the process that was described except that I would like to propose -- this is Michael Hurst for AT&T -- I would like to propose that we do this by system, so that we do preordering, ordering, provisioning, maintenance, and repair, billing, and then interface each separately, so that we -- at the end of the discussions for each of those subsections we come to a conclusion about what needs to be in the additional comments.

MS. HOWARD: Yes, that's what we planned to -- on doing, Michael. That's the way we have it designed.

MR. GUTIERREZ: John Gutierrez from Continental.

Was it Pacific's intention to do it for both resold as in addition to an unbundled basis?

MS. HOWARD: No, at this point in time we are doing resale only.

We are not doing unbundled.

MR. KHANNA: Why not?

Dhruv Khanna.

MS. HOWARD: Well, since the Judge thought it would be good to go through a 1MB, a 1MB would not be an unbundled service; a 1MB would be a resale.

So what -- based on what ALJ McKenzie had suggested, we put together resale.

We can -- after we complete this exercise, then we can take questions and see what needs to be done

to achieve the rest of your questions or answers to the rest of your questions.

MS. JONES: Eric?

MR. ARTMAN: That's clearly unresponsive to the Judges' direction.

We made clear, both at the hearing on the record and afterwards in comments to GTEC and Pacific that our real concern was the degree to which the OSS addressed unbundled elements.

And given this total lack of a response or intended lack of a response on a key area, I have a very tough time maintaining what I felt was a fairly conciliatory posture towards these filings that I expressed earlier this week.

MS. JONES: Well, what I suggest we do is discuss them separately, but let's discuss both.

Or do you see that it would be helpful to look at preordering for resale and UNEs together?

MR. ARTMAN: If there are systems and databases out there that contain information that are needed for both processes, as long as we're discussing that system or that database, I don't see any reason it makes sense to break them up into :- into separate discussions.

Separate is not equal. I mean we need to have the same types of access, and we need to have access that's focused on the different needs as well.

MS. JONES: Well, I know I don't want to hear about all the databases twice and hear the same thing twice.

I have a short attention span. 2 But I don't know enough about the systems to know if that would work. 3 So I mean would this work from Pacific's 4 5 viewpoint? 6 MS. HOWARD: Can we --7 MS. JONES: We can go off the record for a minute. 8 (Off the record) MS. JONES: We'll be on the record. 10 MS. HOWARD: We can certainly try that. 11 MS. JONES: John? 12 MR. GUTIERREZ: John Gutierrez with Continental 13 again. 14 I would like to ask the question up front, 15 since we're going to do it in that order, does Pacific 16 have the right people in the room today to discuss 17 procedures? 18 I am more than willing to sit through the 19 resale discussion, but I don't want it to be 2:00, 2:30 20 in the afternoon, we get to the facilities-based and all 21 of a sudden we don't have the appropriate people 22 available at that time. 23 MS. HOWARD: (Nodding head) 24 MS. JONES: But I think they just decided we were 25 going to discuss them together, to the extent that the 26 processes are the same or the same databases are used. 27 MR. GUTIERREZ: And I understood that the same. 28 But to the extent they are different, when we

1 get to the end of the day and then we want to get down 2 to a level of understanding on -- in -- I just hope --3 I just had concern that the right people be available at that time. 5 MS. JONES: Sheila? MS. HOWARD: We have -- it's the same people, we 6 7 have the right people. We have our subject-matter experts for every one of the areas: billing, 8 provisioning, pre-ordering, ordering, and maintenance. 9 10 We have our subject matter experts for both areas. 11 MR. GUTIERREZ: Thank you very much. 12 MS. HOWARD: And just one thing. 13 We are going to, at the same time, talk about 14 the resale and the unbundling. 15 MS. JONES: Thank you. 16 My name's Mike Golabek with GTE. MR. GOLABEK: 17 The schedule as proposed, the agenda as 18 proposed, will work for us, too. 19 It would be my understanding, though, that we 20 talk about Pacific on one of these particular subjects 21 and address GTE at or about the same time, as opposed to 22 putting us off till later in the day or the afternoon. 23 Just do it all at once. 24 And we are certainly prepared to -- while we 25 were under the same impression that we would talk about 26 resale, we can talk about the unbundled part of it, 27 I think we have folks here that can speak

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intelligently to it.

And I would just add that it was my 1 2 understanding that we're here so that you all can help 3 us to tell us what we need to be adding to our 4 descriptions here rather than getting into a great 5 detailed discussion of each particular system, which, as 6 I understand, that's what the workshops are for down the 7 road. As I understand this exercise, we're supposed to -- we're here certainly to explain as much as we can, 9 10 but we're also here to help us better understand how we 11 need to supplement our descriptions. 12

MS. JONES: We may need to remind ourselves of that periodically through the day.

Sheila?

MS. HOWARD: Just one question.

Would it be possible, since all of us don't know the subject matter experts, that they could identify themselves so we'd know who AT&T has and what their areas of expertise are, and so forth. Introduce themselves and tell us that.

It would be helpful to us, please.

MS. JONES: Do we need to do that on the record?

MS. HOWARD: That might be helpful.

MS. JONES: Eric?

MR. ARTMAN: Couple of things.

One, because of the time frame and because of what the workshop was to cover, we didn't bring a large number of technical experts in, and I wouldn't

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1 want there to be any adverse reflection on not having a tremendous attendance of technical experts.

I appreciate Pac Bell's effort -- and I don't know to what extent GTE did it -- to make people available, but at the same time my understanding reflects that of Mr. Golabek, that today ought to define what the plan ought to state rather than get into the actual nits and nats.

I would appreciate a specific response from Pacific, since they indicated they weren't attending today, as to whether they are addressing unbundled OSS or just retail OSS and their plan is also intended to address resale and unbundled --

MR. HURST: You mean what's on file now?

MR. KHANNA: On the March 4, 1997 filing?

MS. JONES: Let's not speak over each other.

Remember, we have a court reporter.

So don't contribute something unless you've been recognized. Thank you.

That's the disadvantage of having a court reporter.

MR. GALLIGAN: Mike Galligan.

To answer that question, when we put the document together, we addressed resale and we did that because what we were asked to address is a comparative between retail and resale, and rarely customers don't buy unbundled network elements.

MS. JONES: I guess I don't understand what

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you're saying.

So you're saying it is not covered -- unbundled elements are not covered, then?

MR. GALLIGAN: No, not specifically.

In the document that we put together, it was put together with the idea of resale in mind as a comparative to what was done, or the way in which a customer orders on the retail site of Pacific Bell.

There is no comparative between CLCs and the retail side of Pacific Bell as it relates to unbundled network elements.

MS. JONES: So is this something then that parties would want added to this, recognizing that UNEs are not sold to retail customers, but competitors are interested in the process for ordering UNEs?

Michael.

MR. HURST: Michael Hurst for AT&T.

We don't see a conflict here.

One of the main points that the Judge directed the companies to address was how they provided the functionalities to themselves.

Not just how they provided services to their retail customers, but how did they get a loop up and running as part of provisioning, how did they get a port and switch up and running as part of providing service to a customer.

And so we don't see a conflict here, because in the description of the systems they use, to assign

loops and telephone numbers to customers, that -- in 1 their filing -- they're taking unbundled elements, 2 putting them together, and providing them to customers. 3 We're interested in how they do that and what 5 standard they use for themselves when they take a loop 6 and combine it with a port and provide it to the customer. And under the law, the standard, when they Я provide a loop to us they've got to provide it to us in 9 the same quality and with the same speed and -- the same 10 quality, basically, as they provide it to themselves. 11 So I don't see a difference here between 12 providing the services to their customers using the 13 14 provisioning system in that provisioning system. We're going to have to talk about how the loop 15 16 is provided, how the switch, port and switch are 17 provided, and there's where the unbundling comes in. 18 MS. JONES: Okay. Thank you. 19 Any other comments on the agenda? 20 Dhruv? 21 MR. KHANNA: One quick question, is whether we are 22 going to proceed by service, like 1 Measured Business 23 line first and other services. 24 I would be interested in knowing what 25 the order is, because I actually have a hard stop 26 at 2:00 o'clock.

MS. JONES: It's my understanding that the Judge

just mentioned 1MB as a sample.

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I'm not going to sit here and go through
a whole bunch of services. The rest of you can stay
here as long as you want.

And I think that was our only mandate, that
Pacific should put together some examples.

If somebody was here Tuesday and has a different idea of what we were ordered to do, let me know.

MR. KHANNA: The reason I raise that question is the 1 Measured Business line analog service raises one set of issues that would not necessarily cover, for example, the loop, what is involved in the digital loop that's needed, for example for ISDN.

And certainly that's an interest that

my client has, and I would be anxious for this workshop

and Pacific to include in its filing exactly what the

processes are for providing digital loops to itself and

therefore to competitors, because as I understand it,

that is quite a cumbersome process that involves

significant, ultimately, nonrecurring charges at this

time.

So that's certainly an area my client is interested in exploring.

MS. JONES: Well, you've got that on the record.

MR. KOLTO-WININGER: I should say that it was my understanding that subject matter experts would be here so that they could converse in a language that maybe attorneys might not understand.

1 And so I guess we're a little disappointed that other parties have not brought -- or not all the parties have brought their subject matter experts, and we do think that's not a very productive way to approach this workshop. MS. JONES: Eric. MR. ARTMAN: I have to respond. I don't think that was the direction from the ALJ. I think the direction was to try to work on the insufficiencies in the filing from Pacific Bell and from GTE, and to do that with the best response possible.

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And I've previously explained the situation with technical experts.

If we're going to get into back and forth on that issue, we can spend a lot of time on it, but I don't think any more needs to be said.

MS. JONES: Why don't we move forward, and I think the first thing we should do is have all the subject matter experts, which I personally refuse to call SMEs, introduce yourself and give your name and the company you work for, and your area of expertise.

You're kind of sprinkled in there with attorneys, and to make it easier for the court reporter, why don't you stand up and make sure you don't mumble.

MR. GOLABEK: We have four folks from GTE with us who will handle that and introduce themselves and say

1	what their areas are.
2	MR. BILLINGS: My name is Mike Billings with GTE,
3	and my expertise is implementation of open market
4	transition.
5	MR. LANGLEY: Rodney Langley, GTE, local
6	competition implementation.
7	MR. KELLY: Richard Kelly, GTE, open market
8	local competition.
9	MR. SEIBOLD: Chuck Seibold, GTE,
10	provisioning systems.
11	MR. GALLIGAN: Michael Galligan, Pacific Bell,
12	director for resale and OSS product marketing.
13	MR. CHAMBERLIN: Mark Chamberlin, Pacific Bell,
14	business resale business process.
15	MR. VIVEROS: Chris Viveros, Pacific Bell,
16	local competition implementation, preordering and
17	ordering.
18	MR. TENERELLI: Sam Tenerelli, Pacific Bell,
19	local competition, maintenance, and provisioning
20	processes.
21	MS. THOMPSON: Kate Thompson, Pacific Bell, and
22	I have billing and usage delivery.
23	MR. HURST: Michael Hurst, AT&T, regional director
24	and attorney responsible for cost studies.
25	MS. BUSSING: Carol Bussing, AVN of systems
26	planning administration for Sprint, and I have
27	responsibilities all the way through billing.
28	MS CAPPIS. Filon Carrie Working Assets

1	I'm the director of local services.
2	MS. JONES: So everyone else in the room is either
3	an attorney or
4	MS. GARVIN: I'm Dayna Garvin, local service
5	implementation for WorldCom.
6	MS. JONES: Thank you.
7	Have we missed any?
8	(No response)
9	MS. JONES: Okay. Let's go off the record for
10	just a minute.
11	(Off the record)
12	MR. LAKRITZ: We'll be on the record, please.
13	I think we'll start off with Pacific's
14	request, with them providing their billing system.
15	I believe it's on page 5 of a handout that
16	they provided to people that describes their OSS filing
17	and the difference between retail and resale.
18	Sheila, did you want to start?
19	MS. HOWARD: Yes.
20	Kate Thompson will talk about billing.
21	MS. THOMPSON: The exciting subject of billing,
22	which always comes at the tail end of the process.
23	First, I want to just describe what happens
24	in terms of the collection of call record detail.
25	These are reported at the central office
26	switch that the CLEC needs from us in order to pass that
27	along to the end user and bill the end user.
28	For retail services, that process is identical

at the switch as it is for retail.

In other words, there's nothing that differentiates in the switch that a call is being made from a resold line or if it's being made from a retail line, and it depends on the various switch types, the level of detail of that particular reporting recording.

For 1MB type of service, it's a measured business line.

What that means is that we'll capture call records for every call made, every attempt made, and pass those records along to -- depending on the switch type and some of the configurations of the switches, it may or may not include the terminating number.

It will show the originating number and the connect and disconnect times, and those get sent to the CLECs on either a daily or a weekly basis, and they're unrated records.

There's no rating on the records because we assume they'll apply whatever rates are going to be applied to those call types.

As the records come in off of the switch, they're processed through a number of modules in our billing system.

They're prepared in an EMR format, which is a Bellcore standard format that is used throughout the industry for local call recordings.

And that goes out on an NDM feed or mag tape 1 2 to the CLEC to use and to deal with as they see fit. That's what happens on a resale line. 3 On an unbundled network line, it's very, very similar for a port because you will still need to have 5 6 Pacific's recording of that call record to pass on to 7 the end user. There are some additional -- both pricing and 8 process -- issues for the unbundled elements, and in 9 10 some cases you will get terminating usages, and --11 where the central office switches are limited in the 12 ability to provide that -- and the interconnect

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So that's sort of, in a nutshell, what happens.

purpose of billing it to you.

MR. LAKRITZ: Just before we start -- excuse me. Jonathon Lakritz for the Telecommunications Division.

contracts calls for some mutual agreements on the

process of extrapolating terminating usage for the

One question just for clarification.

Up until the point at which the record information is conveyed to the competitive carrier or the purchaser of the resold service, I think you said it's the same system and goes through the same system whether it's a Pacific customer or.

MS. THOMPSON: It's recorded at the switch in an identical matter and flows through the billing system

٦ until it gets to a module that we call usage 2 supervision. But it really is a look-up table that says 3 I have an originating call record from this telephone 4 name, do I send that record on to the retail billing 5 system or do I send it on through the wholesale process 6 7 to be created into an EMR format to send out to the CLC. 8 So there is a divergence that occurs once that 9 originating number is identified as a resold line. 10 MR. LAKRITZ: Thank you. 11 I think Eric Artman had a question. 12 MR. ARTMAN: Yes. Eric Artman for MFS/WorldCom. 13 You indicated that terminating usage could 14 have some variables and that those would be covered 15 in interconnection agreements. 16 Presumably, the generally-available document 17 that you've provided has some coverage for that. 18 MS.\_THOMPSON: Yes. 19 MR. ARTMAN: Could you describe how that is, and 20 what other databases that may include? 21 MS. THOMPSON: It doesn't include any additional 22 databases. 23 It does include a change in the way that 24 we're recording that usage in the switch. 25 So when I talked about resold lines, it looks 26 just like a regular retail line. Nothing in the switch 27 identifies it. 28 If it's an unbundled element there will be a

unique line CLASS code in the switch that says for this 1 port I need to record some additional information, 2 3 and that would include some terminating-type usage, if 4 the switch has the capability to do so, which all 5 switches don't have. MR. ARTMAN: And if the switch doesn't, 6 7 what proposal do you have? 8 MS. THOMPSON: If the switch doesn't have that, 9 we are working on a process that is still in a bit of 10 negotiations, but basically it's extrapolating from sort 11 of a one-for-one, assuming that you get about the same

number of incoming as outgoing.

And so it would assume an amount of volume of originating usage and assume there was a similar amount of terminating usage.

MR. ARTMAN: So you will be proposing a proxy on that?

MS. THOMPSON: Right, right.

MR. LAKRITZ: Okay.

Eric, I think what we kind of want to do is -is your next question having to do with how the OSS
system works or how they're planning on charging for
particular elements --

MR. ARTMAN: No.

I was actually going to ask how the OSS -how they propose to do it and if they considered some
other alternatives in doing -- I mean if that -- to the
extent today's workshop is to clarify what should be in

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1 the proposal, I would request that the proposal also include some description of how they have considered 2 recording and processing terminating usage on unbundled 3 network elements including, to the extent necessary, potential switch upgrades. 5 6 If I could go into that --MS. THOMPSON: I think we have some information. 8 MR. ARTMAN: -- that would be the sort of thing we think needs to be in document. 9 10 MR. LAKRITZ: That's what I'm trying to do, 11 is focus people back to that. 12 MR. ARTMAN: And you're right. 13 MS. THOMPSON: And that is a universal issue. MS. BUSSING: One thing we wanted to make sure 14 15 of in the filing was that that detail billing, we would 16 request that in the final -- if it is published, that 17 that data would be on a regular basis, provided on a 18 daily basis to the CLECs. 19 MS. THOMPSON: Right. 20 It's available five days a week, but not 21 realtime, not same day. 22 I just want to make sure I'm clarifying. 23 MS. BUSSING: The following day is what you're 24 saying? 25 MS. THOMPSON: No, no. 26 MS. BUSSING: The following day? 27 MS. THOMPSON: We'll identify the timing with which 28 that usage -- there's a difference between when the

1 usage is a available for you to receive and what time 2 frame that usage covers. 3 MS. BUSSING: What is it? Can I ask that? MR. LAKRITZ: One second. 4 5 Let's have that answered in the filing. 6 And the other thing, when one person stops, 7 give a break for the court reporter to catch up. 8 She can't do a realtime interexchange back and forth. MS. THOMPSON: We do have that data and we are 9 10 sharing it specifically. 11 MR. LAKRITZ: The gentleman in the back. 12 MR. HARRIS: Glenn Harris from Brooks Fiber. 13 You mentioned that this data is available via 14 the Network Data Mover and also I guess a mag. 15 MS. THOMPSON: Magnetic tape cartridge. 16 MR. HARRIS: How do CLECs obtain this information? 17 Is it provided through Pacific Bell, and if 18 so, can you provide information in a supplemental filing 19 with regard to costs for the NDM, and also who to 20 contact at Pacific Bell? 21 MS. THOMPSON: I'm not sure how I could --22 MS. HOWARD: Sheila Howard, Pacific Bell. 23 We certainly wouldn't be putting costs in 24 this document, but we certainly can talk to you about 25 how one would go about retrieving or getting that 26 information from Pacific Bell. 27 So we can include that.

But they would not be in costs, not in this